

This Weekly Market Update is sent every Monday to AEW Europe clients.

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CAPITAL MARKET INDICATORS

Treasuries find Greenspan's canary fainting in mine: Former Federal Reserve Chairman Alan Greenspan's warning that rising yields on government debt will drive up American borrowing costs is resonating with the world's biggest bond traders, who say this month's losses in the market for U.S. Treasuries are just the beginning. Yields on 10-year notes, the benchmark for everything from mortgages to corporate bonds, climbed as high as 3.92% last week from a low of 3.53% in February. The 18 primary dealers of U.S. debt forecast the rate will reach 4.2% this year, the highest since October 2008, according to a survey by Bloomberg.

European Banks Face \$209 Billion Shortfall on Real Estate Debt: European banks may face a €156 bn shortfall in funds needed to refinance commercial real-estate debt in the next two years, DTZ Holdings Plc estimates. About 480 bn Euros of property loans will mature by the end of 2011, according to research by the London-based broker. Banks will not be able to refinance all of the debt, particularly when loans exceed the value of the properties backing them. More than half of the shortfall will occur in the U.K. and Spain, DTZ said.

Yen Drops as Global Recovery Signs Curb Demand for Safety: The yen fell for a fourth day against the euro, the longest losing streak in five weeks, as signs the global economic recovery is gathering momentum boosted demand for higher-yielding assets. Japan's currency weakened against its 16 major counterparts before reports this week that economists said will show the U.S. job market is improving and Australian retail sales rose. The euro gained for a second day versus the dollar on receding concern Greece's financial crisis will derail Europe's economic recovery. (Sources: Bloomberg, Financial Times, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.33	0.64	1.11	1.49	1.86	2.45	3.34	3.75
UK SWAP	0.54	0.65	1.05	1.05	2.12	2.90	3.84	4.15
US FED FUNDS SWAP	0.18	0.29	0.57	1.20	1.81	2.73	3.83	4.54

Source: Bloomberg * EONIA. BBA Libor GBP Overnight. DDFD

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.48	1.37	2.19	2.67	3.15	3.54	3.90
UK GILTS	0.64	1.80	2.74	3.50	4.00	4.44	4.58

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3993	1.45	40.58	3.57
DOW JONES	10850	4.05	39.53	2.49
FTSE 100	5700	5.30	46.19	3.30
EPRA EUROPE	1279	1.79	55.31	4.23

Source: Bloomberg

NEWS TICKER

Sales of new homes fell in America: This was by 2.2% during the month of February to an annual pace of 308,000, the slowest since records began in 1963. Severe weather may be partly to blame: sales fell most in the parts of the country where there were unusually severe snowstorms last month.

The index of executive and consumer sentiment in the 16 nations using the euro rose to 97.7: This was from 95.9 in February, being the highest since May 2008 and topped the 97.1 reading projected by economists.

Industrial orders in the euro area fell by 2% in January: This came after a rise by 0.8% during the month of December.

Inflation in Britain fell to 3% in February: This was from 3.5% in January. Prices rose by 0.4% during the month of February.

Britain saw its biggest jump in retail sales in February since May last year: The household goods sector saw the biggest jump, at 11.2%. Auto fuel sales rose by 9.1% and textile, clothing and footwear shops had a 1.1% gain.

Ifo index of German business confidence increased in March: The closely watched measure rose to 98.1, its highest level since June 2008, from 95.2 in February.

French consumer spending on manufactured goods fell by 1.2% in February: This is the second consecutive significant monthly drop, coming after a 2.5% decline in January. (Sources: The Economist, Bloomberg, Business Week, LSR, AEW Europe)

REAL ESTATE MARKET INDICATORS

Investors target core Central European markets: According to the most recent research by CB Richard Ellis, the Central & Eastern European (CEE) commercial real estate investment market recorded a provisional €275 M turnover in the first two months of 2010. This is down from the strong finish to 2009 in the final quarter, but turnover in these two months was about 70% higher than the H1 2009 two-month average turnover. Additionally, the amount of product currently under negotiation suggests that the CEE investment market is maintaining much of the momentum it gained in late 2009. Investors are targeting the same CEE markets in 2010 that they did in 2009, 90% of turnover so far in 2010 has occurred in Warsaw, Budapest, Prague and Moscow.

Shopping centre development to bottom in 2011: The rate of development of new shopping centre space in Europe slowed considerably in 2009 and is unlikely to pick up before 2012 at the earliest, according to real estate adviser Cushman & Wakefield in its new European Shopping Centre Development report. 2009 saw the sharpest decrease in new space in almost 15 years, with around 7.4 M sqm of new shopping centre space completed, a 19% fall on 2008. This year should see around 6.1 million sqm being completed. In 2011 shopping centre development is expected to hit its lowest level in seven years with around 5 M sqm due to be completed, 46% down on the peak of around 9.3 M in 2008. (Sources: PropertyEU, AEW Europe)

SELECTED OFFICE MARKETS

Cautious expectations for Prague office market in 2010: According to DTZ, the Prague office market is still relatively small compared to its Western European peers, when comparing stock per capita. The total stock per inhabitant accounts for 2.15 sqm, whereas in Munich it is six times more and in The Hague it is almost four times more than in Prague. This provides scope for growth once demand starts increasing. Since the beginning of the 1990s, the emergence of the modern Prague office market, the office stock increased from 68,000 sq m to around 2.7 M sqm at the end of 2009. There are currently 115,000 sqm of office space in different stages of construction, whereas in ca. 27,000 sqm construction works were halted. (Source: Europe Real Estate, AEW Europe)

SELECTED OFFICE MARKETS (Q4/2009 DATA)	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	6.3 ↑	664 ↑	5.50 ↓	↑
LONDON (CENTRAL)	10.3 ↓	778 →	5.39 ↓	↑
BERLIN	10.4 ↑	240 ↓	5.50 →	↑
BUDAPEST	19.8 ↑	174 ↓	7.00 →	↑
ROME	8.7 ↓	350 ↓	5.37 ↓	↑

Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

UK retail investment set for positive returns: The rebound in the UK retail investment market is expected to maintain momentum throughout the first half of 2010, according to the latest research from CB Richard Ellis. The first half of 2010 will see continued momentum in the retail investment market and whilst rises in values are expected to be moderate, there are opportunities in all retail sub-sectors provided one looks beyond headline pricing and fully understands what is at the heart of it all - the retailer and their requirements. With the retail sector leading the recovery in investment markets, CBRE predicts total property returns in the mid-teens for 2010 with retail forecasts predicted to perform somewhat more strongly. (Source: PropertyEU, AEW Europe)

SELECTED RETAIL MARKETS	HOUSEHOLD CONSUMPTION 2009E (%YOY)	HOUSEHOLD CONSUMPTION 2010E (%YOY)	AVERAGE PRIME RENTS (€/SQM/YR)**	AVERAGE PRIME YIELDS 2009E (%)	CONSENSUS ANNUAL INFLATION 2009E (%)
FRANCE	0.7 ↑	0.9	2628 ↓	5.8	0.1
GERMANY	0.5* ↑	-0.1*	2856 ↑	4.4	0.4
ITALY	-1.7 ↓	0.6	2122 →	5.2	0.8
SPAIN	-5.1 ↓	-0.8	2183 →	5.7	-0.3

Source: PMA, Consensus Forecasts, AEW Europe * Private Consumption ** Average rent of the countries' cities